



# **Consumer Driven Health Care**

## **HSAs 101 – A Quick Review of Health Savings Account Basics**

# Agenda

- Health Savings Account Features
- Eligibility
- Contributions
- Tax Information
- Distributions
- HSA-Qualified Expenses
- Preventive Care
- Paying for Medical Services
- Maximizing Your HSA
- Resources



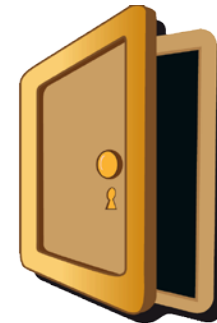
# What is a Health Savings Account?



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**High Deductible Health Plan Component (HDHP)**



Health Insurance used to cover expenses for illness or injury after meeting a minimum deductible amount



*Lower premiums  
Protection from big medical bills  
Covers same eligible expenses  
Same provider network*

**Health Savings Account Component (HSA)**



Tax-Advantaged account which can be used to cover medical expenses before the insurance deductible is met. Funds may also be saved for future medical expenses



*Helps pay deductible  
Pre-tax contributions  
Tax-deferred growth  
Tax-free withdrawals for medical*

**HDHP + HSA Solution**



**Control Healthcare Expenses!  
Increase Tax Savings!  
Lower Insurance Premiums!  
Flexibility & Portability!  
Savings for Retirement!**

# HSA Key Features

Funds are  
portable!

Use HSA dollars  
to pay for  
medical  
expenses tax-  
free!

Pre-tax  
contributions!

HSAs earn  
interest!



Funds can be  
invested!

HSAs are owned  
individually

No “use it or lose  
it” rule

HSAs can build up  
significantly...no  
balance limit!

**To open and/or  
continue  
contributing to a  
Health Savings  
Account**

# HSA Eligibility

## HSA account holders:

- Must be enrolled in an HSA-qualified High Deductible Health Plan (HDHP)
- Cannot be covered by any other insurance that reimburses for health expenses
- Cannot be enrolled in any part of Medicare or Medicaid
- Cannot be eligible to be claimed as a dependent on another person's tax return
- Must be over 18 years of age

# HSA Contributions

## THIS YEAR 2018 IRS Maximum Contribution Limits

Individual \$3450

Family \$6900

## NEXT YEAR 2019 IRS Maximum Contribution Limits

Individual \$3500

Family \$7000

## IRS Contribution Rules

- HSA Contributions are not subject to income tax
- Contributions can be made by anyone
- You can change your contributions at any time throughout the year
- Contributions *in excess of the allowable limits* must be withdrawn (Otherwise incur a 6% excise tax and claim as income)
- Eligible individuals aged 55 or older may contribute “catch-up” contributions of **\$1000.00** each year until enrolling in Medicare (one catch-up per account)

## Maximizing Contributions with The IRS Last-Month Rule

**Sometimes health plans begin part-way  
through a calendar year**



If you are HSA-eligible by Dec. 1<sup>st</sup>, you are considered eligible for the entire year in terms of contributions. BUT – there is a “testing” period where you must *remain an eligible individual through the end of the next calendar year.*





## How HSA Contributions Impact Taxes

HSA contributions are exempt from the following payroll taxes:

- Social Security
- Medicare
- Federal Income tax
- State income tax/unemployment tax (depending on the state)

Pre-tax contributions facilitated by an employer are documented on employee W-2's in **Box 12 with a Code W.**

# Tax Saving Estimates

Insurance Coverage	Tax Bracket	Annual Tax Savings by Contribution			Maximum Family Contribution Plus 1K Catch-up
Single Coverage		<b>\$1,200</b>	<b>\$2,000</b>	<b>\$3,250</b>	<b>\$4,250</b>
	15%	\$180	\$300	\$488	\$638
	25%	\$300	\$500	\$813	\$1,063
	28%	\$336	\$560	\$910	\$1,190
	33%	\$396	\$660	\$1,073	\$1,403
Family Coverage		<b>\$2,000</b>	<b>\$4,000</b>	<b>\$6,450</b>	<b>\$7,150</b>
	15%	\$300	\$600	\$968	\$1,073
	25%	\$500	\$1,000	\$1,613	\$1,788
	28%	\$560	\$1,120	\$1,806	\$2,002
	33%	\$660	\$1,320	\$2,129	\$2,360
Salary Range	Tax Bracket	Single Filing		Married	
	15%	\$8,026 - 32,550		\$16,051 - 65,100	
	25%	\$32,551 - 78,850		\$65,101 - 131,450	
	28%	\$78,851 - 164,550		\$131,451 - 200,300	
	33%	\$164,551 - 357,700		\$200,301 - 357,700	



# Annual Tax Documentation

## IRS Form 8889

HSA account holders utilize this form to file taxes  
All information to file taxes is available through your bank  
account information and your employer W-2

## IRS Form 1099-SA

Details distributions; Customer and IRS receive by January 31<sup>st</sup>

## IRS Form 5498-SA

Details contributions; Customer and IRS receive by May 31<sup>st</sup>

# What can you do with your HSA Dollars?

According to the IRS, funds within an HSA can be used to pay for *qualified medical expenses* (See [www.irs.gov](http://www.irs.gov) publication 502)

**HSA dollars may be used by the account holder, the account holder's spouse, and any tax dependents**

Distributions can be taken at any time

HSA reimbursements can be taken for expenses from prior years if the HSA was already established

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## Qualified Medical Expenses

**Taxes or penalties do not apply for these types of HSA withdrawals:**



- Most medical care & services covered by your insurance
- Dental & Vision Services
- Alternative Remedies
- Certain premiums - in rare circumstances
- OTC Drugs (with prescription)
- Medical supplies

# Preventive Care

- The Affordable Care Act requires non-grandfathered insurance plans to cover preventive or “wellness” visits
- For these plans, individuals would not need to satisfy their deductible before preventive care visits are covered by insurance
- Examples: Annual Physical (non-sick visit), Mammogram, Children’s Immunizations, etc.
- Review your insurance carrier’s guidelines regarding eligibility for specific preventive care
- Remind your Doctor’s office if your visit should be coded as “preventive” to avoid inaccurate billing



# Non-Medical HSA Distributions

## Under Age 65

- It is possible to withdraw funds, but may not be advisable
- Pay income taxes plus 20% penalty

## 65+ Years Old

- No penalties for non-qualified distributions
- Pay income taxes on withdrawals



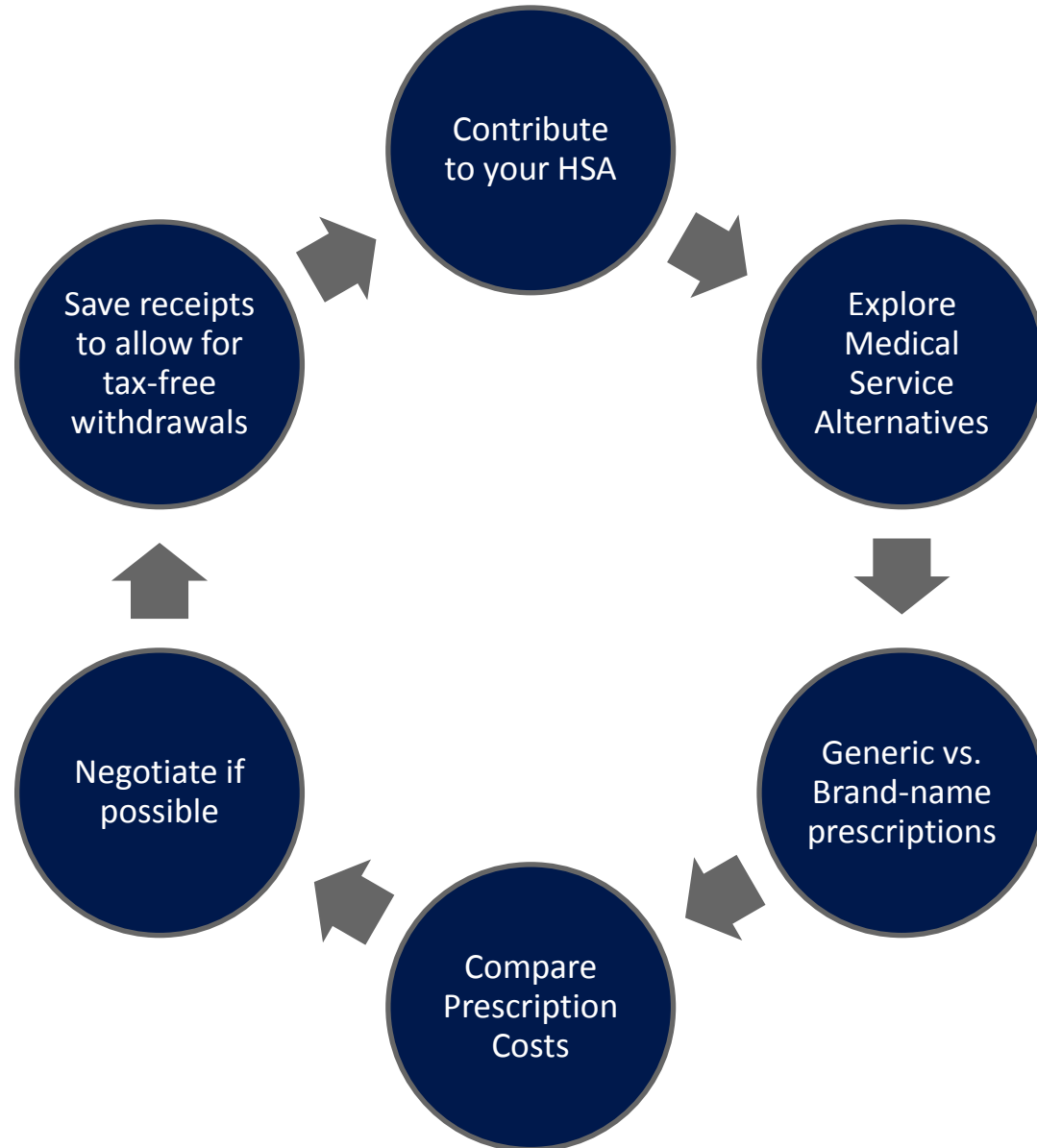
# Saving Receipts

**Account holders  
are responsible  
for maintaining  
receipts  
to prove HSA  
funds were used  
for qualified  
expenses  
if audited by  
the IRS**





# Maximizing Your HSA



## Resources

IRS Website: [www.irs.gov](http://www.irs.gov)  
and

**Review your IntegraFlex employer website  
(specific to your employer group insurance plan)**

**IntegraFlex Customer Service: (208) 287-0310**